

GOLDEN CANE FURNITURE MANUFACTURING CORPORATION, PETITIONER, VS. STEELPRO PHILIPPINES, INC., SOCIAL SECURITY SYSTEM, AIR LIQUIDE PHILIPPINES, INC., CLARK DEVELOPMENT CORPORATION...

G.R. No. 198222. April 04, 2016

Ponente: BRION, J.

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BRION, J.:

This is a petition for review on certiorari[1] filed by Golden Cane Furniture Manufacturing Corporation (Golden Cane) from the November 27, 2009 and August 16, 2011 resolutions of the Court of Appeals (CA) in CA-G.R. SP No. 111530.[2] The CA dismissed Golden Cane's petition for certiorari from the Regional Trial Court's (RTC) May 11, 2009[3] and August 27, 2009[4] orders in Comm. Case No. 058.[5]

The CA dismissed the petition for certiorari for being the wrong remedy to challenge the RTC's dismissal of Golden Cane's petition for corporate rehabilitation.

Antecedents

On November 3, 2008, Golden Cane filed a Petition for Corporate Rehabilitation with the RTC of San Fernando, Pampanga. The petition was raffled to Branch 42 and docketed as Comm. Case No. 058.[6]

On November 11, the RTC issued a Stay Order and set the initial hearing on January 7, 2009.[7]

On May 11, 2009, the RTC denied due course to the petition because of: (1) *litis pendentia* and forum shopping due to the pendency of a separate Petition for Suspension of Payments involving the same parties filed by Golden Cane in 2007; (2) the consistent failure of the rehabilitation receiver to fulfill her duties; (3) the receiver's failure to file her bond on time; and (4) the receiver's failure to submit Golden Cane's interim financial statements. The RTC dismissed the petition and lifted the Stay Order.[8]

On June 25, 2009, Golden Cane moved for reconsideration of the dismissal.[9]

The RTC denied the motion for reconsideration on August 27, 2009.[10] Golden Cane received a copy of the denial on October 2, 2009.[11]

On November 23, 2009, Golden Cane elevated the case to the CA via a petition for certiorari. The petition was docketed as CA-G.R. SP No. 111530.[12]

On November 27, 2009, the CA dismissed the petition outright for being the wrong mode of appeal.[13] The CA held that the correct remedy is a petition for review under Rule 43 of the Rules of Court pursuant to A.M. No. 04-9-07-SC.[14]

Golden Cane moved to reconsider the dismissal but the CA denied the motion on August 16, 2011.[15] Hence, on September 28, 2011, Golden Cane filed the present petition for review on certiorari.

Golden Cane argues: (1) that A.M. No. 08-10-SC, or the 2008 Rules of Procedure on Corporate Rehabilitation (the 2008 Rules) took effect on January 16, 2009, and superseded A.M. No. 04-9-07-SC; (2) that under Rule 8 of the 2008 Rules, an order denying due course to the petition for rehabilitation rendered before the approval or disapproval of the rehabilitation plan is not appealable to the CA under Rule 43; (3) that the remedy against such an order is a petition for certiorari under Rule 65 of the Rules of Court.

The Issue

The lone issue is whether the correct remedy to challenge the outright dismissal of Golden Cane's petition for rehabilitation is a petition for review under Rule 43 or a petition for certiorari under Rule 65, both of the Rules of Court.

Our Ruling

We affirm the CA's ruling.

A corporate rehabilitation case is a special proceeding in rem wherein the petitioner seeks to establish the status of a party or a particular fact, i.e., the inability of the corporate debtor to pay its debts when they fall due.[16] It is summary and non-adversarial in nature.[17] Its end goal is to secure the approval of a rehabilitation plan to facilitate the successful recovery of the corporate debtor.[18] It does not seek relief from an injury caused by another party.[19]

Jurisdiction over corporate rehabilitation cases originally fell within the jurisdiction of the Securities and Exchange Commission (SEC) which had absolute jurisdiction, control, and supervision over all Philippine corporations.[20] With the enactment of the Securities Regulation Code in 2000, this jurisdiction was transferred to the Regional Trial Courts.[21]

Consequently, this Court enacted A.M. No. 00-8-10-SC or the Interim Rules of Procedure on Corporate Rehabilitation (Interim Rules) which took effect on December 15, 2000. Under the Interim Rules, a motion for reconsideration was a prohibited pleading.[22] Orders issued by the rehabilitation court were also immediately executory unless restrained by the appellate court.[23]

The Interim Rules, however, did not specifically indicate the mode of appeal that governed corporate rehabilitation cases. Thus, in 2004, the Court enacted A.M. No. 04-9-07-SC to clarify the proper mode of appeal from decisions and final orders of Rehabilitation Courts:

Whereas, there is a need to clarify the proper mode of appeal in these cases in order to prevent cluttering the dockets of the courts with appeals and/or petitions for certiorari;

Wherefore, the Court Resolves:

1. All decisions and final orders in cases falling under the Interim Rules of Corporate Rehabilitation and the Interim Rules of Procedure Governing Intra-Corporate Controversies under Republic Act No. 8799 shall be appealable to the Court of Appeals through a petition for review under Rule 43 of the Rules of Court.[24]

In 2008, this Court enacted the Rules of Procedure on Corporate Rehabilitation[25] (2008 Rules). The 2008 Rules included motions for reconsideration as a relief from any order of the court prior to the approval of the rehabilitation plan.

RULE 8

PROCEDURAL REMEDIES

Section 1. Motion for Reconsideration. - A party may file a motion for reconsideration of any order issued by

the court prior to the approval of the rehabilitation plan. No relief can be extended to the party aggrieved by the court's order on the motion through a special civil action for certiorari under Rule 65 of the rules of Court. Such order can only be elevated to the Court of Appeals as an assigned error in the petition for review of the decision or order approving or disapproving the rehabilitation plan.

An order issued after the approval of the rehabilitation plan can be reviewed only through a special civil action for certiorari under Rule 65 of the Rules of Court.

Section 2. Review of Decision or Order on Rehabilitation Plan. - An order approving or disapproving a rehabilitation plan can only be reviewed through a petition for review to the Court of Appeals under Rule 43 of the Rules of Court within fifteen (15) days from notice of the decision or order.[26] [emphasis supplied]

Notably, the 2008 Rules also allowed a petition for certiorari under Rule 65 of the Rules of Court as a recourse, but only against an order issued after the approval of the rehabilitation plan. Lastly, the 2008 Rules adopted the mode of appeal prescribed in A.M. No. 04-9-07-SC against an order approving or disapproving the rehabilitation plan.

In 2010, Congress enacted the Financial Rehabilitation and Insolvency Act (FRIA)[27] which updated the existing laws on corporate rehabilitation. The Court promulgated A.M. No. 12-12-11-SC, or the Financial Rehabilitation Rules of Procedure (2013 Rules) on August 27, 2013.[28]

The 2013 Rules adopted the same remedies as the 2008 Rules against interlocutory orders of the rehabilitation court. However, the 2013 Rules eliminated the remedy of appeal from the rehabilitation court's approval or disapproval of the rehabilitation plan:

RULE 6 PROCEDURAL REMEDIES

Section 1. Motion for Reconsideration. - A party may file a motion for reconsideration of any order issued by the court prior to the approval of the Rehabilitation Plan. No relief can be extended to the party aggrieved by the court's order on the motion through a special civil action for certiorari under Rule 65 of the Rules of Court.

An order issued after the approval of the Rehabilitation Plan can be reviewed only through a special civil action for certiorari under Rule 65 of the Rules of Court.

Section 2. Review of Decision or Order on Rehabilitation Plan. - An order approving or disapproving a rehabilitation plan can only be reviewed through a petition for certiorari to the Court of Appeals under Rule 65 of the Rules of Court within fifteen (15) days from notice of the decision or order.[29]

Under the 2013 Rules, the Rehabilitation Court's final order approving or disapproving a rehabilitation plan is no longer subject to appeal; it can only be reviewed through a petition for certiorari. The 2013 Rules narrowed the scope of appellate review from errors of law and fact under Rule 43,[30] to errors of jurisdiction or abuse of discretion under Rule 65.[31] It effectively lends more credence to the factual findings and the judgment of rehabilitation courts.

Golden Cane's petition for corporate rehabilitation falls under the regime of the Interim Rules.

Golden Cane filed its petition for rehabilitation on November 3, 2008 under the regime of the Interim Rules. The initial hearing was also held on January 7, 2009, before the effectivity of the 2008 Rules.[32] The transitory provision of the 2008 Rules states:

Rule 9 Final Provisions

Sec. 2. Transitory Provision. - Unless the court orders otherwise to prevent manifest injustice, any pending petition for rehabilitation that has not undergone the initial hearing prescribed under the Interim Rules of Procedure for Corporate Rehabilitation at the time of the effectivity of these Rules Shall be governed by these rules.

Accordingly, the Interim Rules - not the 2008 Rules - apply to Golden Cane's petition for corporate rehabilitation.

The dismissal of the petition for rehabilitation, even if due to technical grounds or due to its insufficiency, amounts to a failure of rehabilitation.[33] It is a final order because it finally disposes of the case, leaving nothing else to be done. Pursuant to A.M. No. 04-9-07-SC, the correct remedy against all decisions and final orders of the rehabilitation courts in proceedings governed by the Interim Rules is a petition for review to the CA under Rule 43 of the Rules of Court. A petition for certiorari under Rule 65 of the Rules of Court is evidently the wrong mode of appeal.

Even if Golden Cane's petition were under the regime of the 2008 Rules, the correct remedy would still have been a petition for review to the Court of Appeals under Rule 43.[34] The outright dismissal of the petition can be seen as equivalent to the disapproval of the rehabilitation plan. Ultimately, the result is the failure of rehabilitation.

The result would have been different if Golden Cane's petition had been filed under the regime of the 2013 Rules. The 2013 Rules eliminated appeals from the dismissal of the petition or the approval/disapproval of the rehabilitation plan and specifically indicated certiorari as the correct remedy.

All things considered, we find no reversible error in the resolution of the CA. It correctly dismissed Golden Cane's petition for certiorari for being the wrong mode of appeal.

WHEREFORE, we DENY the petition. Costs against the petitioner.

SO ORDERED.

Carpio, (Chairperson), Del Castillo, Mendoza, and Leonen, JJ., concur.

[1] Rollo, p. 10.

[2] Id. at 41, 44. Both penned by Associate Justice Ramon M. Bato, Jr. and concurred in by Associate Justices Noel G. Tijam and Antonio L. Villamor.

[3] Id. at 92.

[4] Id. at 146.

[5] RTC, San Fernando City, Pampanga, Branch 42, through Judge Maria Amifait S. Fider-Reyes.

[6] Rollo, p. 46.

[7] Id. at 62.

[8] Id. at 92.

[9] Id. at 107.

[10] Id. at 146.

[11] Id. at 159.

[12] Id. at 156.

[13] Id. at 41.

[14] Re: Mode of Appeal in Cases Formerly Cognizable by the Securities and Exchange Commission, promulgated 14 September 2004.

[15] Rollo, p. 44.

[16] A.M. No. 00-8-10-SC, Re: Transfer of Cases from the Securities and Exchange Commission to the Regional Trial Courts (September 4, 2001).

[17] See Interim Rules, Rule 3, Section 1; 2008 Rules, Rule 3, Section 1; and A.M. No. 12-12-11-SC, 2013 Financial Rehabilitation Rules of Procedure, Rule 1, Section 4, (August 27, 2013).

[18] Supra note 16.

[19] Id.

[20] Presidential Decree No. 902-A, Sections 3 and 5(b).

[21] Republic Act No. 8799, Section 5.2.

[22] Interim Rules, Rule 3, Section 1.

[23] Interim Rules, Rule 3, Section 5:

Sec. 5. Executory Nature of Orders. - Any order issued by the court under these Rules is immediately executory. A petition for review or an appeal therefrom shall not stay the execution of the order unless restrained or enjoined by the appellate court. The review of any order or decision of the court or an appeal therefrom shall be in accordance with the Rules of Court: Provided, however, that reliefs ordered by the trial or appellate courts shall take into account the need for resolution of proceedings in a just, equitable, and speedy manner.

[24] A.M. No. 04-9-07-SC (September 14, 2004).

[25] A.M. No. 00-8-10-SC (December 2, 2008).

[26] 2008 Rules, Rule 8, Sec. 1 and 2.

[27] Republic Act No. 10142.

[28] A.M. No. 12-12-11-SC (August 27, 2013).

[29] 2013 Rules, Rule 6, Section 1 and 2.

[30] RULES OF COURT, Rule 43, Section 3.

[31] RULES OF COURT, Rule 65, Section 1.

[32] 2008 Rules, Rule 9, Section 3.

[33] FRIA, Section 74.

[34] 2008 Rules, Rule 8, Section 2.

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